



**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
<b>Qwest Communications</b>	)	<b>WC Docket No. 03-11</b>
<b>International Inc.</b>	)	
	)	
Consolidated Application for Authority	)	
to Provide In-Region, InterLATA Services	)	
in New Mexico, Oregon and South Dakota	)	

**REPLY DECLARATION OF MICHAEL G. WILLIAMS**

**on**

**Commercial Performance**

**TABLE OF CONTENTS**

	<u>Page</u>
I. QWEST'S COMMERCIAL PERFORMANCE CONTINUES TO SATISFY THE REQUIREMENTS OF SECTION 271 .....	2
II. CONCLUSION .....	7

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	?	
	)	
<b>Qwest Communications</b>	)	<b>WC Docket No. 03-11</b>
<b>International Inc.</b>	)	
	J	
Consolidated Application for Authority	)	
to Provide In-Region, InterLATA Services	)	
in New Mexico, Oregon and South Dakota	)	

Pursuant to 47 C.F.R. § 1.16, Michael G. Williams declares as follows:

1. My name is Michael G. Williams. My business address is 250 Bell Plaza, Room 1603-B, Salt Lake City, Utah. I am a Director in Wholesale Markets for Qwest Corporation ("Qwest").
2. I provided declarations on Qwest's previous applications under Section 271 of the Act to provide in-region interLATA services in WC Docket Nos. 02-148, 02-189 and 02-314, and in this docket. I base this declaration on my professional experience, personal knowledge, and information available to me in the normal course of my duties.
3. This Reply Declaration responds to comments by WorldCom in this docket regarding Qwest's service quality as reflected in its commercial performance results.

**I. QWEST'S COMMERCIAL PERFORMANCE CONTINUES TO SATISFY THE REQUIREMENTS OF SECTION 271**

4. WorldCom selects, from among the hundreds of performance metrics that Qwest reports, a handful of results in order to make the sweeping claim that Qwest's performance "show[s] repeated failures to meet performance measures." WorldCom at **18** (citing Declaration of Sherry Lichtenberg, ¶ **32**). WorldCom acknowledges its allegations are based solely on regionwide performance results, however, rather than on data particular to the states in this Application. That data, as explained in my initial declaration in this docket, demonstrates how Qwest's performance reports confirm that it makes each checklist item available to CLECs at an acceptable level of quality.<sup>1/</sup>

5. In any event, were the Commission to give credence to WorldCom's allegations, even though they are based on only tangentially relevant regionwide performance, there is no merit to their claims regarding the few PIDs WorldCom singles out for attack. WorldCom is grasping at straws in citing results where statistically significant differences are absolutely miniscule and cannot equate to competitively significant differences. For example, WorldCom claims that Qwest

---

<sup>1/</sup> See Declaration of Michael G. Williams in WC Docket No. **03-11** ("Williams Decl."). I also note that the Commission found Qwest's performance acceptable for the nine states in which Qwest received Section **271** authority, *see Application by Qwest Communications International, Inc. for Authorization To Provide In-Region, InterLATA Services in the States of Colorado, Idaho, Iowa Montana, Nebraska, North Dakota, Utah, Washington and Wyoming*, **17 FCC Rcd 26303 (2002)** ("*Qwest III Order*"), and I further note that the performance relied upon in the *Qwest III Order* included all the months relied upon in this docket, except November **2002**. The nine states addressed in the *Qwest III Order*, together with the three states included in this docket, make up the majority of the **14** states that contribute to the regionwide results WorldCom cites.

missed its PID for E911 trunk trouble rates in **six** of the last twelve months. In point of fact, Qwest's trouble rate for 911/E911 was zero for New Mexico and South Dakota, and the four-month average trouble rate in Oregon was at parity in all four months and never higher than 0.79%. Williams Decl. ¶ 413, ¶ 418, ¶ 416. There can be no doubt, therefore, that Qwest satisfies the PID for the three application states. Moreover, the recent regional four-month average trouble rate for CLEC 911/E911 trunks in September through December was at parity in two of the four months, averaging a miniscule 0.21% for CLECs versus 0.07% for Qwest retail, which is a competitively insignificant difference, and the January 2003 regional performance results reflect parity with a CLEC trouble rate of 0.03% versus 0.07% for Qwest.<sup>2/</sup> All trouble reports were cleared in less than two hours, beating the four-hour target.<sup>3/</sup>

6. Another example of WorldCom pointing out statistical differences where common sense would indicate the actual difference cannot impede CLEC ability to compete involves OP-3C Installation Commitments Met - No Dispatches for Qwest DSL from October and November. With results above 97% both months, the statistical parity misses are due to retail results being above 99%. *See* Lichtenberg Decl., Att. The actual difference is not competitively significant. *Also* in this

<sup>2/</sup> **See** January-December 2002 Regional Commercial Performance Results at 288 (MR-8). Moreover, Qwest's January 2003 regional performance results show the E911 trouble rate at parity, with CLECs experiencing a trouble rate of 0.03% versus 0.07% for Qwest. *See* February 2002-January 2003 Regional Commercial Performance Results at 288 (MR-8).

<sup>3/</sup> **See** *id.* at 286 (MR-6D)

category is OP-5 New Service Quality for Qwest DSL results for October through December. The actual performance difference is under 1% in every month, with results at or above 99% in every month, *id.* a statistical difference that clearly is not competitively significant.

7. The absurdity continues with WorldCom's complaint about the MR-8 - Trouble Rate for UNE-P (Centrex), where the actual trouble rate from October through December is less than 1.0% and, thus, the actual difference between the CLECs and Qwest's trouble rate is also less than 1.0%. *Id.* The MR-8 - Trouble Rate for UDIT above the DS1 Level also fits this profile. Here again the actual trouble rate is under 2.0%. *Id.* In both cases the actual differences between CLECs' and Qwest's trouble rates are less than 1.0%, *id.* which is hardly competitively significant.

8. As to repair timeliness for line sharing (MR-3), for New Mexico during October, November and December, Qwest was in parity for all months for out of service cleared within 24 hours (no dispatches) and in parity for two out of three months for out of service cleared with 24 hours (dispatch). <sup>4/</sup> In the one month that Qwest barely missed parity (December), its modified "z score" was only 1.71, just 0.06 away from meeting parity. For Oregon, during the months October, November, and December, Qwest was in parity for 2 out of the 3 months for out of service

---

<sup>1/</sup> See January-December 2002 New Mexico Commercial Performance Results at 229 (MR-3C) and 225 (MR-3A).

cleared within 24 hours for both dispatched and non-dispatched repairs.<sup>5/</sup> In the one month that Qwest missed parity (October), analysis shows that customer requests for future appointment times impacted Qwest's ability to complete timely repairs with disparities for out of service cleared within 24 hours.<sup>6/</sup> For South Dakota, during the months October, November and December, there were no CLEC requests for repairing line sharing loops, so there can be no argument that Qwest did not satisfy MR-3 for line sharing in that state.<sup>7/</sup>

9. With respect to installation commitments for EELs in Zone 1 under OP-3D, the most recent regional four-month average (for September through December) for CLEC Installation Commitments Met for EELs is 86.91%, which is only slightly below the benchmark of 90%.<sup>8/</sup> The misses that caused Qwest to dip below the benchmark were the result of a shortage of facilities and Qwest's established 30-business day hold policy for EELs. Qwest is investigating improvements

---

<sup>5/</sup> See January-December 2002 Oregon Commercial Performance Results at 237 (MR-3A) and 241 (MR-3C).

<sup>6/</sup> When CLECs request a future appointment time beyond the offered commitment, they effectively create a "no access" situation that precludes Qwest meeting the 24-hour commitment window and increased the average restoral interval. By mid-December 2002, Qwest completed steps necessary to identify future appointment tickets as "no access," so the measurement system can appropriately exclude them per the PID.

<sup>7/</sup> See January-December 2002 South Dakota Commercial Performance Results at 200 (MR-3A) and 203 (MR-3C). However, Qwest's performance in New Mexico and Oregon shows that it can repair shared loops to CLECs at a high level of quality when requested.

<sup>8/</sup> See January-December 2002 Regional Commercial Performance Results at 149 (OP-3D).



to its engineering and construction processes for the installation of EELs in order to accelerate internal timeframes with emphasis on meeting the original due date. In any event, Qwest did not fail to meet the PID for New Mexico because there were no performance results under the PID for that state. *See Williams Decl.* ¶ 355. In addition, Qwest had a four-month average for installation commitments met in Oregon (August through November) of 93.15%, which exceeds the 90% benchmark, and in South Dakota, Qwest met 100% of its installation commitments in three of those four months, with the only miss coming in a month where only one EEL was ordered, and a required redesign of outside plant caused the missed commitment.

10. As for the repair repeat report rate for UNE-P-POTS non-dispatched reports (MR-7C), for New Mexico during the months of September, October, and November, Qwest's performance was in parity with like retail service. Over the four-month period that also includes August, Qwest recorded only one disparity. However, with the exclusion of no trouble found ("NTF") reports as reported under MR-7C\*, August is also in parity.<sup>9/</sup> For Oregon, Qwest recorded parity performance in August and September, and with the exclusion of NTF reports in October

<sup>9/</sup> In August, a contributing factor to the higher-than-expected repeat report rate is the number of NTF reports Qwest received from CLECs. When August data is reviewed to determine if a subsequent trouble report occurred within 30 days, four of six repeat trouble reports were found to be NTF tickets. Qwest developed the MR-7\* measurement to track precisely this trend. MR-7\* calculates the repeat trouble rate by excluding all trouble reports for which no trouble was found and which, after the first report was closed, received no other trouble report within 30 days of the original report.

and November, all four months are in parity.<sup>10/</sup> For South Dakota, Qwest achieved parity in three of four months, with a disparity only in October where, yet again, parity was in fact achieved with the impact of NTF reports removed. Moreover, regional performance results for the same four-month period shows Qwest's performance in parity with like retail service when NTF reports are excluded.

11. With respect to repair appointments met (MR-9), this is a metric the FCC has not analyzed in prior 271 applications. Even so, for UNE-P-POTS reports with dispatch (MR-9A and MR-9B combined), Qwest recorded parity in two of four months for both New Mexico and Oregon, and three of four months for South Dakota for the period August through November. Qwest met repair appointments regionwide at a level of 90% or greater each month throughout 2002.

## II. CONCLUSION

12. Qwest's reports of commercial performance continue to confirm that Qwest is making each checklist item available to CLECs in New Mexico, Oregon and South Dakota at acceptable levels of quality. Therefore, these results continue to support a finding that Qwest has satisfied the requirements of the competitive checklist in Section 271.


---

<sup>10/</sup> There were no reported results for MR-7" for November at the time of Qwest's filing because Qwest must wait **30** days to see if a subsequent trouble occurs. However, subsequent reports show Qwest's performance in November to be in parity with the impact of NTF reports removed.

**VERIFICATION**

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 26, 2003.

A handwritten signature in black ink, appearing to read "M G Williams", written in a cursive style.

---

Michael G. Williams



**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
<b>Qwest Communications</b>	)	<b>WC Docket No. 03-11</b>
<b>International Inc.</b>	)	
	)	
Consolidated Application for Authority	)	
to Provide In-Region, InterLATA Services	)	
in New Mexico, Oregon, and South Dakota	)	

**REPLY DECLARATION OF JERROLD L. THOMPSON  
AND THOMAS R. FREEBERG**

**Cost-Based Rates for Unbundled  
Network Elements and Interconnection**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION AND EXECUTIVE SUMMARY .....	2
II. QWESTS PRICING OF AND RATE STRUCTURE FOR ENTRANCE FACILITIES SATISFY TELRIC AND OTHER APPLICABLE RULES .....	2
III. THE COMMISSION SHOULD DISMISS AT&T'S CONCERNS ABOUT THE RATING OF "TRANSIT SERVICE IN NEW MEXICO.....	11
III. QWESTS EXISTING UNE RATES IN OREGON COMPLY WITH TELRIC, AND THE PENDENCY OF A COST PROCEEDING IN OREGON IS IRRELEVANT. ....	14
IV. THE PAYPHONE ASSOCIATION'S COMPLAINTS ABOUT OREGON RATES ARE IRRELEVANT TO SECTION 271.....	17
V. CONCLUSION.....	17

**TABLE OF EXHIBITS**

Exhibit	Description
Reply Exh JLT/TRF-1	Comparison of Rates- Interoffice Transport & Entrance Facilities (DS 1) and (DS3)

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC **20554**

In the Matter of	)	
	)	
<b>Qwest Communications</b>	)	<b>WC Docket No. 03-11</b>
<b>International Inc.</b>	)	
	)	
Consolidated Application for Authority	)	
to Provide In-Region, InterLATA Services	)	
in New Mexico, Oregon, and South Dakota	)	

**KEPLP DECLARATION OF JERROLD L. THOMPSON  
AND THOMAS R. FREEBERG**

**Cost-Based Rates for Unbundled  
Network Elements and Interconnection**

Pursuant to 47 C.F.R. § 1.16, Jerrold L. Thompson and Thomas R  
Freeberg declare as follows:

1. My name is Jerrold L. Thompson. I submitted declarations with Qwest's Application in this proceeding showing that, in each of the states that are the subject of the Application, Qwest's rates for UNEs, interconnection, and collocation comply with Sections 251, 252, and 271 of the Act and with the FCC's rules. This Reply Declaration refutes the arguments to the contrary submitted by AT&T, Integra, and the Payphone Associations.

2. My name is Thomas R. Freeberg. I submitted declarations with Qwest's Application in this proceeding showing that, in each of the states that are the subject of the Application, Qwest's offerings of interconnection and reciprocal compensation fully satisfy Sections 251(b)(5) and 251(c)(2) of the Act and Checklist



Items One and Thirteen of Section 271(c)(2)(B)(i). This Reply Declaration refutes the arguments to the contrary submitted by AT&T.

## **I. INTRODUCTION AND EXECUTIVE SUMMARY**

3. This declaration responds to four arguments relating to the pricing and rate structure of Qwest UNEs, interconnection, and other offerings. First, we show that there is no merit to AT&T's renewed challenge to Qwest's pricing and rate structure of transport entrance facilities. Second, we demonstrate that AT&T's argument about "transit" traffic in New Mexico relates to a novel interpretive dispute over a specific interconnection agreement between AT&T and Qwest, and has no place in a section 271 proceeding. Third, we demonstrate that, consistent with established precedent, the Commission should dismiss the concerns raised by Integra over a pending pricing proceeding in Oregon. Finally, Qwest responds to the Payphone Associations' improper attempt to inject into this proceeding a matter that the Commission has already found is irrelevant to a Section 271 proceeding.

## **11. QWEST'S PRICING OF AND RATE STRUCTURE FOR ENTRANCE FACILITIES SATISFY TELRIC AND OTHER APPLICABLE RULES**

4. The Commission has already rejected, and should once again reject, AT&T's baseless argument that it is inappropriate for Qwest to charge a separate, non-distance-sensitive rate for entrance facilities.<sup>1/</sup> The Commission

---

<sup>1/</sup> AT&T Comments at 23-27; AT&T Wilson Declaration ¶¶ 7-19. Entrance facilities are the dedicated transmission facilities between a CLEC's freely selected point of interface and a Qwest wire center. Entrance facilities are functionally

generally defers to the decisions of state commissions with respect to the rate structure and pricing of network elements and interconnection, unless it concludes that the state has made a clear error in applying TELRIC rules. And, in its nine-state *Qwest 271 Order*, the Commission rejected a virtually identical AT&T challenge to the pricing and rate structure of entrance facilities,<sup>2/</sup> explaining that “the Commission’s TELRIC rules do not specify that such charges must be based on distance.”<sup>3/</sup> The Commission also noted that it had approved numerous 271 applications in states that used the identical rate structure.<sup>4/</sup> It “dismiss[ed] AT&T’s argument that the charge for the link between a competitive LEC switch and a Qwest switch should be recovered in the same manner as links between Qwest switches,” because, the Commission found, AT&T had failed to refute Qwest’s showing that “there are both economic differences and engineering differences that warrant a different rate structure and different rates.”<sup>5/</sup> AT&T’s arguments in this proceeding do not provide new information, nor do they indicate in any way that the Oregon, New Mexico or South Dakota state commissions have

---

similar to Extended Unbundled Dedicated Interoffice Transport or “EUDIT.” Qwest offers entrance facilities both as part of its local interconnection trunk offerings under Section 251(c)(2) of the Act, and as dedicated transport UNEs under Section 251(c)(3) of the Act.

<sup>2/</sup> *Qwest 271 Order* ¶¶ 365-66

<sup>3/</sup> *Id.* ¶ 365.

<sup>4/</sup> *Id.*

<sup>5/</sup> *Id.* ¶ 366.

made clear errors in applying the Commission's TELRIC pricing and rate structure rules.

5. First, as Qwest explained in its prior section 271 proceeding, it is neither improper nor unusual to charge a separate rate for entrance facilities, or for that rate to be non-stance-sensitive. In fact, this is a typical rate structure and has been used in numerous states where the Commission has granted section 271 approval, including Qwest's states, Texas, Kansas, Oklahoma, Missouri, Arkansas, and Pennsylvania.<sup>6/</sup> This is hardly surprising. Qwest follows the same approach employed by ILECs nationwide and consistent with the ATIS OBF guidelines. The Commission has explicitly advised that states may reasonably adopt a rate structure for the transport element based on the existing rate structure for interstate access transport, which uses precisely that arrangement: a non-stance-sensitive entrance facility charge, and stance-sensitive direct-trunked transport rates.<sup>7/</sup>

<sup>6/</sup> See Reply Exh. JLT/TRF-1

<sup>7/</sup> *Local Competition First Report and Order*, 11FCC Rcd at **15909** ¶ 821. While not dispositive here, it is certainly instructive that the Commission recently decided to "redefine[] [the] dedicated transport [network element] to include only those transmission facilities connecting incumbent LEC switches or wire centers." News Release, *FCC Adopts New Rules for Network Unbundling Obligations of Incumbent Local Phone Carriers*, Attachment to Triennial Review Press Release (released Feb. 20, 2003) at 3. This strongly indicates that the Commission disagrees with AT&T's assertion that the differences between Qwest's rate structures for entrance facilities and interoffice transport are unreasonable and discriminatory.

6. Second, AT&T is wrong in contending that Qwest always “requires” or “forces” CLECs to pay entrance facility charges.<sup>8/</sup> CLECs can avoid a local interconnection trunking entrance facility charge by choosing to employ collocated equipment, a mid-span meet, or an existing facility that was deployed for other purposes (i.e., interexchange access).<sup>9/</sup> Moreover, Qwest’s SGATs provide that CLECs can opt to construct their own entrance facilities and impose the same charges on Qwest<sup>10/</sup> – while avoiding payment of Qwest interconnection trunking entrance facility charges if they wish.

7. Third, contrary to AT&T’s allegations, Qwest’s non-distance-sensitive rates for entrance facilities and distance-sensitive rates for interoffice transport reflect the way costs are actually incurred. The main cost drivers of transport are central office electronics and outside plant. The former are inherently fixed, non-distance-sensitive costs, whereas the latter are inherently distance-sensitive. Thus, the primary cost driver for shorter circuits is the central office electronics. On longer circuits, the outside plant becomes the primary cost driver.

8. Because entrance facilities typically connect the CLEC to the nearest Qwest wire center, they tend to be relatively short, averaging between 2-3 miles.<sup>11/</sup> Thus, the cost of the central office electronics is the dominant cost driver,

---

<sup>8/</sup> AT&T Wilson Declaration ¶ 9

<sup>9/</sup> NM, OR, SD SGATs § 7.1.2.

<sup>10/</sup> NM, OR, SD SGATs §§ 7.3.1.1.3.1 and 7.3.2.1

<sup>11/</sup> For example, in the Colorado cost study, Qwest assumed that entrance facilities averaged 2.4 miles. Because Qwest has not historically charged a

accounting for 73% of total costs on average for DS1 facilities and 80% for DS3 facilities. Since entrance facility costs accordingly would not vary significantly with distance, it is reasonable to recover them through non-distance-sensitive rates.

9. By contrast, dedicated interoffice transport circuits – those that connect two Qwest central offices – tend to be substantially longer than entrance facilities (10 to 20 miles). The distance-sensitive cost of outside plant therefore is a much more significant cost driver for interoffice facilities, especially for circuits that exceed 10 miles. For those longer circuits, distance-sensitive costs account for 55% to 90% of total costs on average for both DS1 and DS3 facilities (depending on the distance being traversed and the capacity of the circuit). A distance-sensitive charge accordingly is appropriate.

10. Qwest demonstrated in its previous 271 applications that the greater economies of scale and scope that are achieved by interoffice transport facilities means that, all else being equal, a given circuit at any given capacity level (e.g., a DS1) riding on such facilities costs less to provide over interoffice facilities than over entrance facilities because, in the former case, the investment and other

---

distance-sensitive entrance facility rate, it maintains no composite statistical data concerning those distances. However, Qwest believes that the lengths of entrance facilities do not vary significantly. In any event, even if there were some variance in entrance facility distances, Qwest's approach would *understate*, not overstate costs. Because Qwest assumes an average of 2.4 miles, and the minimum entrance facility distance is obviously greater than zero, the amount by which Qwest's assumption might overstate costs in a given situation is quite limited (especially because the distance-sensitive rates Qwest imposes have one charge covering a 0-8 mile distance). By contrast, Qwest could understate costs by a *substantial* amount for entrance facilities that are longer than 2.4 miles by any significant amount.

costs can be spread over a greater number of circuits.<sup>12/</sup> AT&T disputes Qwest's showing that cost differences justify the different rates and rate structures for entrance facilities and interoffice transport,<sup>13/</sup> but AT&T's arguments are unfounded.

11. First, AT&T observes that some CLEC switches serve more lines than some Qwest switches, and argues that this refutes Qwest's contention that transmission facilities between CLEC points of interface and Qwest serving wire centers are typically lower capacity than transmission facilities among Qwest offices.<sup>14/</sup> But AT&T's analysis is simply wrong as a factual matter. Entrance facility circuits serve a single purpose: to connect a single CLEC point of interface to a Qwest serving wire center, and to transmit traffic between the CLEC's network and the Qwest network. The CLEC (not Qwest) determines its capacity needs and desired fill (degree of utilization) for its entrance facilities on the basis of projected traffic volumes. In contrast, interoffice transport circuits are carried on facilities that connect multiple locations throughout the network and serve multiple purposes – including non-switched<sup>15/</sup> as well as switched traffic, and including Qwest's own traffic as well as the traffic of CLECs, independent ILECs, wireless

---

*El & west 271 Order ¶ 353* (citing Thompson Reply Declaration (WC Docket No. 02-148) at ¶¶ 110-111).

<sup>13/</sup> AT&T Wilson Declaration ¶¶ 13-15

<sup>14/</sup> *Id.*

<sup>15/</sup> As AT&T acknowledges, these facilities handle “private line and access traffic” as well as switched local traffic. *Id.* ¶ 17.

carriers and IXCs. Therefore the size of a CLEC switch, in terms of the number of lines served, relative to the Qwest switch, is not necessarily indicative of the amount of interoffice traffic that is transported from a Qwest wire center since, unlike a CLEC switch, that wire center is often a hub for multiple provider traffic.

12. As a result, contrary to AT&T's allegations, the facilities used to provide interoffice transport circuits almost uniformly have a higher transmission capacity than entrance facilities. For example, in Oregon, New Mexico and South Dakota, Qwest has not provisioned any entrance facilities to CLECs using a system with a capacity higher than OC-3; by contrast, in Oregon and New Mexico, 96% to 100% of Qwest's interoffice transmission facilities are at OC-48 capacity.<sup>16/</sup>

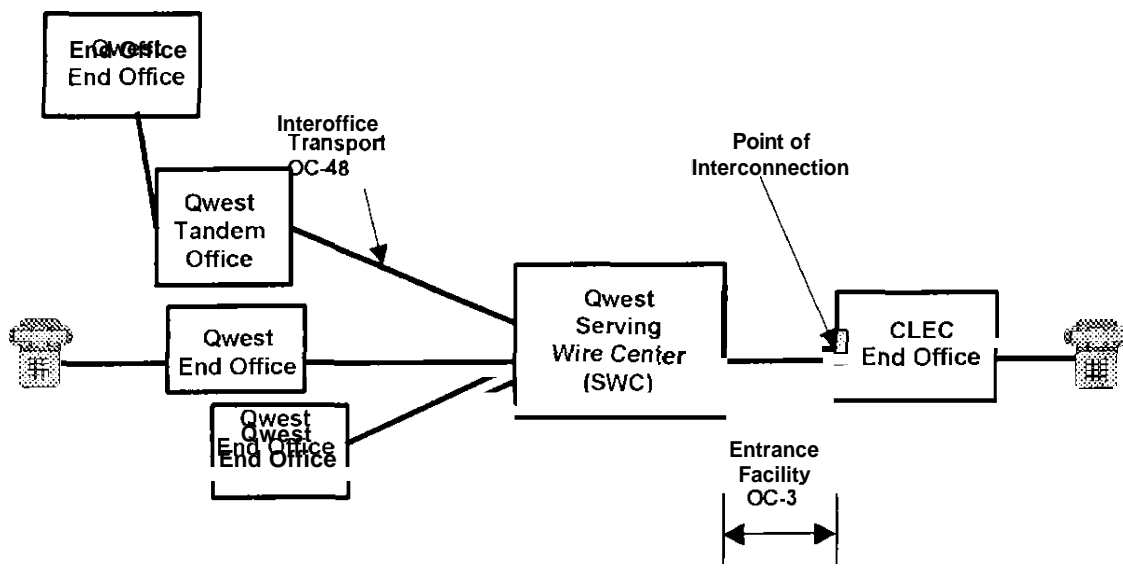
13. These capacity differences alone are enough to justify the different treatment of entrance facilities and interoffice facilities. Moreover, even if those capacity levels were the same, circuits combining entrance facilities with interoffice facilities require additional electronic equipment much more often than interoffice transport circuits do, making the former, on average, more costly than the latter. AT&T also disputes this point,<sup>17/</sup> but once again AT&T's arguments are factually incorrect. **An** interoffice transport circuit linking any two Qwest central offices within a local calling area, more often than not, can be established without the need for any intermediate electronics. By contrast, in most cases *dedicated circuits between CLEC points of interface and Qwest central offices must pass*

---

<sup>16/</sup> In South Dakota, 66% of US-1 interoffice facilities are carried on OC-48 systems, and 64% of DS-3 interoffice facilities are carried on OC-48 systems.

<sup>17/</sup> *Id.* ¶¶ 16-18.

through an intermediate point (the Qwest serving wire center) and must be accompanied by additional multiplexers and other electronic equipment used to establish connections to interoffice facilities to various other points in the Qwest network, as the diagram below illustrates. These additional electronics at the serving wire center raise the cost of circuits combining interoffice facilities with entrance facilities relative to interoffice transport alone.<sup>18/</sup>



14. Since the highest level of CLEC aggregated traffic is no larger than OC-3, while most, if not all of Qwest's interoffice traffic is OC-48,<sup>19/</sup> electronic equipment is required to multiplex and regenerate the CLEC traffic. This is true because the CLEC-originated traffic will be terminating at many Qwest wire

<sup>18/</sup> See Reply Exh. JLTITRF-1. Note that the fixed portion of the direct trunked transport rates are almost always higher than the fixed entrance facility rate, reflecting this cost difference. In general, a call is not switched at the serving wire center.



centers. Thus, the OC-3 level of traffic must be multiplexed down at the serving wire center, distributed to multiple interoffice facilities and multiplexed up to the OC-48 level for interoffice transport. The circuit generation electronics that must accompany these multiplexers cause the primary cost of handling this traffic and are properly recovered in flat rates instead of mileage sensitive rates.

15. In all events, a representative composite of the rates for entrance facilities (EUDIT) and interoffice transport (UDIT) in the states at issue here is well within the zone of reasonableness established by the corresponding composite rates applicable in other states for which this Commission has granted section 271 authorization.<sup>20/</sup> Contrary to AT&T's bottom-line argument,<sup>21/</sup> the Oregon, New Mexico or South Dakota rates that include an entrance facility charge combined with direct-trunk transport charges are not significantly higher than rates that include only the AT&T-preferred distance-based rates or comparable TELRIC rates from other state commissions that include a fixed rate for an entrance facility.<sup>22/</sup>

16. In sum, the Commission should reject AT&T's challenge to Qwest's pricing and rate structure for entrance facilities.

---

<sup>19/</sup> See *supra* ¶ 12.

<sup>20/</sup> See Reply Exh. JLT/TRF-1

<sup>21/</sup> AT&T Wilson Declaration ¶ 10 ("The principal effect of these 'entrance facility' charges is dramatically to raise the price of interconnection...").

<sup>22/</sup> See, e.g., Reply Exh. JLT/TRF-1, Massachusetts.

### III. THE COMMISSION SHOULD DISMISS AT&T'S CONCERNS ABOUT THE RATING OF "TRANSIT" SERVICE IN NEW MEXICO.

17 AT&T alleges that Qwest denies CLECs appropriate reciprocal compensation arrangements for "transit" traffic in New Mexico <sup>23/</sup> But AT&T's argument, relating as it does to "a specific carrier-to-carrier dispute[ ]," particularly on an issue "that our rules have not yet addressed and that do not involve per se violations of the Act or our rules, are not appropriately dealt with in the context of a section 271 proceeding."<sup>24/</sup> Indeed, AT&T has not raised this issue before the New Mexico commission; in a highly inappropriate gambit, AT&T presents this dispute to a regulator, for the first time, in its comments in this Section 271 proceeding.<sup>25/</sup> The Commission must dismiss this argument

18. AT&T's arguments focus on a very recent, narrow, and specific dispute between AT&T and Qwest, stemming from a particular interconnection agreement between AT&T and Qwest in New Mexico (and other states not subject to this proceeding).<sup>26/</sup> The agreement provides that local transit traffic (*i.e.*, traffic

<sup>23/</sup> AT&T Comments at 27; AT&T Wilson Declaration ¶¶ 20-24

<sup>24/</sup> Qwest 271 Order ¶ 325 (citing *BellSouth Five-State 271 Order*, 17 FCC Rcd 17721-22 ¶ 227); *Pennsylvania 271 Order*, 16 FCC Rcd at 17470 ¶ 92; *Texas 271 Order*, 15 FCC Rcd at 18541 ¶ 383.

<sup>25/</sup> AT&T's complaint should be resolved according to the parties' arbitrated interconnection agreement from 1999. Yet AT&T **did** not raise this issue during state-sponsored 271 workshops or **hearings**, and has only recently raised it – for **the** first time – in the instant proceeding (and as part of a contract renegotiation now underway).

<sup>26/</sup> See Interconnection Agreement Between U S WEST Communications, Inc. and AT&T Communications of the Mountain States, Inc., (New Mexico) (rev. Oct. 12, 1999), attached to *ex parte* letter from David L. Sieradzki, counsel for Qwest, to

originating with one CLEC, transiting Qwest facilities, and terminating to another CLEC) should be carried on a separate trunk group.<sup>27/</sup> The dispute concerns the proper rates that Qwest may apply when AT&T improperly commingles such transit traffic with switched access traffic and other local traffic on switched access trunks. A few months ago, Qwest inadvertently billed AT&T TELRIC rates for all forms of transit traffic, but later resumed its practice of billing TELRIC rates only for local non-transit traffic and access charges for other forms of traffic over these commingled trunk groups.<sup>28/</sup>

---

Marlene H. Dortch, Secretary, FCC, WC Docket No. 03-11, Feb. 14B, 2003. This interconnection agreement, entered into in October 1999, arose out of arbitration between the parties. In the arbitration, AT&T won the right to send local traffic to Qwest on trunk groups originally ordered from Qwest by AT&T's interexchange carrier affiliate. Since then, AT&T has used the same trunk group that carries Feature Group D traffic to also carry local calls. AT&T did not establish separate trunk groups for transit traffic. Rather, Qwest has provided the transit function to AT&T when it has sent various traffic types on the Feature Group. To allow such usage, AT&T supplied Qwest a "percent local use" ("PLU") factor that Qwest applied to the total traffic carried by the trunk group. Qwest then rated the "local use" traffic at TELRIC-based prices; the non-local traffic on the trunk is priced under Qwest's tariffs. The parties initially agreed that PLU would be determined by this parsing of non-transit local traffic from all other traffic on the trunk group. Pursuant to that understanding, AT&T treated all transit traffic as non-local traffic in the PLU it supplied to Qwest. Qwest originally used a mostly manual approach to billing traffic subject to PLU treatment. Over time, the carriers migrated from a mostly manual billing function to a more mechanized approach.

<sup>27/</sup> Section 6.7.3.7 of the agreement requires that transit traffic be routed between the carriers on separate trunk groups, and Section 6.7.2 places constraints on mixing local and non-local traffic. Qwest does not contest AT&T's assertion that Section 17.1 of the agreement is *not* dispositive of this dispute. AT&T Comments at 28; AT&T Wilson Declaration ¶ 23.

<sup>28/</sup> In August 2002, Qwest implemented a mechanization enhancement that, until December 2002, inadvertently rated all forms of transit traffic at a TELRIC-based price. In late January 2003, just before the comment deadline in this proceeding, Qwest informed AT&T that it planned to revert to the former practice of

19. Whatever the merits of AT&T's or Qwest's arguments in this narrow interconnection dispute between the two parties,<sup>29/</sup> this matter has no place in a Section 271 proceeding. The proper costing standard for compensation for local transit traffic is a matter that the FCC's "rules have not clearly addressed and that do not involve *per se* violations of the Act or our rules."<sup>30/</sup> Indeed, in the Verizon Virginia arbitration, the Wireline Competition Bureau recently rejected an AT&T proposal to require an ILEC "to provide transit service at TELRIC rates without limitation."<sup>31/</sup> The Bureau observed that "the Commission has not had occasion to determine whether incumbent LECs have a duty to provide transit service under this provision of the statute, nor do we find clear Commission precedent or rules declaring such a duty."<sup>32/</sup> The Bureau thus "decline[d] . . . to determine . . . that Verizon has a section 251(c)(2) duty to provide transit service at TELRIC rates."<sup>33/</sup>

---

rating the transit traffic at tariffed meet-point billed prices. AT&T responded by complaining about the treatment of this traffic in its comments on the instant Application.

<sup>29/</sup> While Qwest does not concede either the merits of AT&T's position or its relevance for 271 evaluative purposes, Qwest is willing to accede to AT&T's request in this matter. Thus, going forward and for as long as the current New Mexico agreement is in effect, Qwest is willing to apply the TELRIC-based rate to local transit traffic that AT&T sends to Qwest on a Feature Group D trunk, unless a regulatory agency should, in the future, require a contrary conclusion in this regard.

<sup>30/</sup> *Qwest 271 Order* ¶ 325

<sup>31/</sup> *Cf. Petition of WorldCom, Inc. Regarding Interconnection Disputes with Verizon Virginia Inc.*, CC Docket No. 00-218, DA 02-1731, ¶ 117 (WCB, rel. July 17, 2002).

<sup>32/</sup> *Id.*

<sup>33/</sup> *Id.*

Although AT&T wishes to relitigate the same issue here, Section 271 proceedings are the wrong forum for resolving such ‘new interpretive disputes.’ <sup>34/</sup>

20. Finally, it should be noted that, aside from the merits of AT&T’s arguments, the issue is not remotely competition-affecting. The annual difference in billing between the Qwest approach that AT&T protests, and the approach AT&T advocates, is only approximately \$20,000 in New Mexico. Thus, the Commission should grant the instant Section 271 application notwithstanding AT&T’s misplaced objection.

### **III. QWEST’S EXISTING UNE RATES IN OREGON COMPLY WITH TELRIC, AND THE PENDENCY OF A COST PROCEEDING IN OREGON IS IRRELEVANT.**

21. Qwest demonstrated in the Application in this proceeding that its existing rates for loops and other UNEs in Oregon are no higher than the range that a reasonable application of TELRIC principles would produce. No party submits any evidence disputing this point.

22. Integra, however, complains that Qwest has proposed significantly higher TELRIC loop rates in a pending proceeding before the Oregon PUC. <sup>35/</sup> Integra argues that the Commission should require Qwest to maintain its current loop rates for some period of time. But as Integra concedes, <sup>36/</sup> the identical

---

<sup>34/</sup> *Qwest 271 Order* ¶ 325.

<sup>35/</sup> *Integra Comments* at 2-4.

<sup>36/</sup> *Id.* at 2-3.

argument was raised with regard to Qwest's rates in Utah, and was specifically rejected by the Commission in the *Qwest 271 Order*:

The existence of a pending UNE rate investigation in Utah does not lead us to conclude that Qwest's current Utah rates are impermissibly temporary. As we have noted previously, we perform our section 271 analysis on the rates before us. If we find these rates to be TELRIC-compliant, then Qwest has met its obligation to price UNEs in compliance with checklist item two. If, in the future, Qwest were to raise those rates above the range that a reasonable application of TELRIC principles would produce, Qwest would, arguably, contravene the requirements of section 271. We cannot now assume that the proposed rates Qwest has filed with the Utah Commission are not cost-justified or that, if they are not justified, that the Utah Commission would approve them.<sup>37/</sup>

23. For the same reasons, the Commission should reject the same argument once again here. Particularly given the Oregon PUC's extraordinarily extensive experience in examining cost-based pricing of network elements,<sup>38/</sup> the Commission can rely on the Oregon PUC's ability to reach an appropriate result in the pending proceeding.

24. The Commission should disregard Integra's unfounded assertion that the confidentiality provisions in place in the Oregon PUC proceeding mean that Qwest is "seeking to raise its Oregon UNE rates to a 'secret' level . . ." <sup>39/</sup> Neither the rates, nor the cost models proposed by Qwest in the current Oregon cost

<sup>37/</sup> *Qwest 271 Order* ¶ 307 (citing *Georgia/Louisiana 271 Order*, 17 FCC Rcd at 9066-67 ¶ 97 (citing *Rhode Island 271 Order*, 17 FCC Rcd at 3317 ¶ 31)).

<sup>38/</sup> See Thompson Oregon Pricing Declaration, ¶¶ 3-4.

<sup>39/</sup> Integra Comments at 4.

docket are confidential. The deaveraged loop rates proposed by Qwest are \$19.93, \$38.28, and \$56.82 with a statewide average of \$21.75.<sup>40/</sup>

25. Qwest has filed its TELRIC studies as non-proprietary and non-confidential. Copies of the cost models and cost study results have been provided to all eight CLEC parties in the proceeding, including Integra. A copy of the TELRIC studies and results were provided to Karen Johnson, a representative of Integra Telecom of Oregon, Inc. on September 30, 2002. Since there will be confidential information in the proceeding, a confidentiality agreement is used in the Oregon proceeding. That agreement was signed by Ms. Johnson on Nov. 7, 2002, and by Integra representative Rogena Harris on Jan. 31, 2003. Representatives of Integra have been present at workshops that have discussed Qwest's TELRIC models and rates in December, 2002 and January, 2003.

26. The Oregon cost docket is expected to be a lengthy proceeding. Workshops and panel discussions are currently scheduled from January through June of 2003. A final issues list is currently scheduled to be filed July 25, 2003. Direct testimony from Qwest and other parties is currently scheduled to be filed August 15, 2003. Hearings are expected sometime in late 2003 or early 2004, with a final decision from the commission likely in mid- to late 2004.

---

<sup>40/</sup> AT&T's proposed statewide average rate is **\$6.75**. The current Oregon statewide average loop rate is \$15.00.

#### IV. THE PAYPHONE ASSOCIATION'S COMPLAINTS ABOUT OREGON RATES ARE IRRELEVANT TO SECTION 271.

27. The Commission held in the *Qwest 271 Order* that the questions raised by the Payphone Associations' complaints about whether Qwest's "payphone [access line] rates comply with our rules cannot, and should not, be decided in the context of this section 271 application."<sup>41/</sup> Nonetheless, one of the same parties raises the same arguments regarding whether Qwest's payphone access line rates in Oregon comply with the Commission's rules. These arguments – relating, as they do, to Qwest's compliance with Section 27G of the Act (not Sections 251, 252, or 271) – should be dismissed.<sup>42/</sup>

#### V. CONCLUSION

28. The information in our initial Declarations and in this Reply Declaration provides ample basis for the FCC to conclude that Qwest's rates for UNEs, collocation, and other interconnection elements in New Mexico, Oregon, and South Dakota are just, reasonable, and consistent with the FCC's TELRIC and other applicable rules.

29. This concludes our declaration.

---

<sup>41/</sup> *Qwest 271 Order* ¶ 507.

<sup>42/</sup> Moreover, on Feb. 14, 2003, Qwest implemented significantly lower payphone access line rates in Oregon, pursuant to a stipulation negotiated with the Northwest Public Communications Council. Qwest is not submitting detailed evidence regarding this rate reduction in this proceeding (for which a waiver of the "complete when filed" rule arguably might be necessary) because, as the Commission has already held, the issue is completely irrelevant to this Section 271 proceeding.



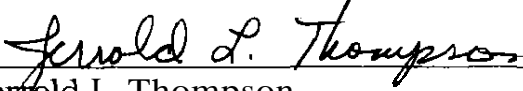
**GLOSSARY OF ACRONYMS AND SHORT FORMS**

<b>Short Form</b>	<b>Full Expression</b>
FCC or Commission	Federal Communications Commission
OPUC or Oregon Commission	Oregon Public Utilities Commission
New Mexico PRC or New Mexico Commission	Montana Public Regulation Commission
South Dakota PUC or South Dakota Commission	South Dakota Public Utilities Commission
ALJ	Administrative Law Judge
Act	Communications Act of <b>1934</b> , as amended, <b>47 U.S.C. § 151, et seq.</b>
Telecommunications Act or <b>1996</b> Act	Telecommunications Act of <b>1996</b> , Pub. L. <b>104-104, 110 Stat. 56.</b>
LEC	local exchange carrier
ILEC	incumbent local exchange carrier
CLEC	competitive local exchange carrier
BOC	Bell Operating Company
AT&T	AT&T Corp and its affiliates
Integra	Integra Telecom of Oregon, Inc.
Payphone Association	Northwest Public Communications Council
LATA	local access and transport area
TELRIC	Total Element Long-Run Incremental Cost
UNE	Unbundled Network Element
SGAT	Statement of Generally Available Terms and Conditions

**VERIFICATION**

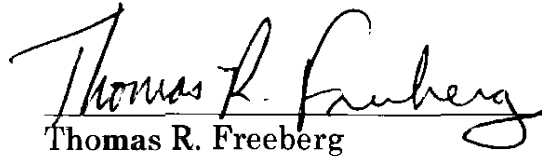
I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 27, 2003.

  
\_\_\_\_\_  
Jerrold L. Thompson

**VERIFICATION**

I declare under penalty of perjury that the foregoing is true and correct. Executed on February 27, 2003.

  
Thomas R. Freeberg

**Qwest**

**Thompson/Freeberg Reply Declaration**

**Replay Exh. JLT/TRF-1**

**Comparison of Rates-Interoffice Transport & Entrance Facilities (DS1)**

Colorado			
Interoffice Transport		Entrance Facilities	
Fixed	Per 10 Miles Combined	Fixed	Per 2 Miles Combined
\$ 26.52	\$ 12.27	\$ 57.92	\$ 2.58
		\$ 60.50	\$ 84.44
			\$ 14.85
			\$ 99.29
			Combined
			Mileage
			Fixed
			Combined

**Qwest States**

Arizona	\$ 35.99	\$ 9.40	\$ 45.39	\$ 89.42	\$ 89.42	\$ 125.41	\$ 9.40	\$ 134.81
Idaho	\$ 37.35	\$ 18.20	\$ 55.55	\$ 91.61	\$ 91.61	\$ 128.96	\$ 18.20	\$ 147.16
Iowa	\$ 190.29	\$ -	\$ 190.29	\$ 100.33	\$ 140.8	\$ 330.62	\$ -	\$ 330.62
Minnesota	\$ 100.65	\$ -	\$ 100.65	\$ 67.71	\$ 67.71	\$ 168.36	\$ -	\$ 168.36
Montana	\$ 37.26	\$ 27.10	\$ 64.36	\$ 100.78	\$ 100.78	\$ 138.04	\$ 27.10	\$ 165.14
Nebraska	\$ 34.95	\$ 32.80	\$ 67.75	\$ 79.98	\$ 79.98	\$ 114.93	\$ 32.80	\$ 147.73
New Mexico	\$ 32.93	\$ 10.20	\$ 43.13	\$ 79.61	\$ 79.61	\$ 112.54	\$ 10.20	\$ 122.74
North Dakota	\$ 24.99	\$ 38.60	\$ 63.59	\$ 102.22	\$ 102.22	\$ 127.21	\$ 38.60	\$ 165.81
Oregon	\$ 37.94	\$ 8.50	\$ 46.44	\$ 87.37	\$ 87.37	\$ 125.31	\$ 8.50	\$ 133.81
South Dakota	\$ 34.76	\$ 18.20	\$ 52.96	\$ 82.14	\$ 82.59	\$ 117.35	\$ 18.20	\$ 135.55
Utah	\$ 28.81	\$ 26.90	\$ 55.71	\$ 46.28	\$ 60.84	\$ 75.09	\$ 41.46	\$ 116.55
Washington	\$ 33.12	\$ 6.50	\$ 39.62	\$ 76.70	\$ 76.70	\$ 109.82	\$ 6.50	\$ 116.32
Wyoming	\$ 36.99	\$ 33.40	\$ 70.39	\$ 89.47	\$ 89.47	\$ 126.46	\$ 33.40	\$ 159.86

**271 States**

Texas (1)	\$ 38.15	\$ 3.50	\$ 41.65	\$ 76.96	\$ 76.96	\$ 115.11	\$ 3.50	\$ 118.61
Kansas (1)	\$ 40.78	\$ 3.20	\$ 43.98	\$ 76.96	\$ 76.96	\$ 117.74	\$ 3.20	\$ 120.94
Oklahoma (1)	\$ 78.09	\$ 22.40	\$ 100.49	\$ 119.19	\$ 119.19	\$ 197.28	\$ 22.40	\$ 219.68
Missouri (1)	\$ 70.87	\$ 12.24	\$ 83.11	\$ 162.30	\$ 162.30	\$ 233.17	\$ 12.24	\$ 245.41
Arkansas (1)	\$ 44.59	\$ 7.20	\$ 51.79	\$ 76.96	\$ 76.96	\$ 121.55	\$ 7.20	\$ 128.75
New York	\$ 54.72	\$ 20.50	\$ 75.22	\$ 102.75	\$ 102.75	\$ 157.47	\$ 20.50	\$ 177.97
Massachusetts	\$ 126.35	\$ 7.30	\$ 133.65	\$ 146	\$ 146	\$ 126.35	\$ 7.30	\$ 135.11
Pennsylvania	\$ 35.22	\$ 6.00	\$ 41.22	\$ 155.68	\$ 155.68	\$ 190.90	\$ 6.00	\$ 196.90

(1) Rates vary by zone. The rates identified are based on 10 air miles of interoffice transport in a comparable zone.

**Comparison of Rates-Interoffice Transport & Entrance Facilities (DS3)**

	Interoffice Transport		Entrance Facilities		Combined	
	Fixed	Per 10 Miles Combined	Fixed	Per 2 Miles Combined	Fixed	Mileage Combined
Colorado	\$ 176.21	\$ 148.93	\$ 325.14	\$ 188.80	\$ 17.94	\$ 206.74
					\$ 365.01	\$ 166.87
						\$ 531.88

**West States**

Arizona	\$ 246.16	\$ 159.00	\$ 405.16	\$ 357.16	\$ 357.16	\$ 603.32	\$ 159.00	\$ 762.32
Idaho	\$ 260.49	\$ 242.40	\$ 502.89	\$ 367.97	\$ 367.97	\$ 628.46	\$ 242.40	\$ 870.86
Iowa	\$ 222.65	\$ 173.20	\$ 395.85	\$ 396.88	\$ 396.88	\$ 619.53	\$ 173.20	\$ 792.73
Minnesota	\$ 2,818.20	\$ -	\$ 2,818.20	\$ 191.50	\$ 191.50	\$ 3,009.70	\$ -	\$ 3,009.70
Montana	\$ 237.14	\$ 149.90	\$ 387.04	\$ 601.48	\$ 601.48	\$ 838.62	\$ 149.90	\$ 988.52
Nebraska	\$ 222.65	\$ 173.20	\$ 395.85	\$ 429.36	\$ 429.36	\$ 652.01	\$ 173.20	\$ 825.21
New Mexico	\$ 229.06	\$ 120.90	\$ 349.96	\$ 320.92	\$ 320.92	\$ 549.98	\$ 120.90	\$ 670.88
North Dakota	\$ 279.23	\$ 212.80	\$ 492.03	\$ 403.34	\$ 403.34	\$ 682.57	\$ 212.80	\$ 895.37
Oregon	\$ 253.13	\$ 101.90	\$ 355.03	\$ 363.42	\$ 363.42	\$ 616.55	\$ 101.90	\$ 718.45
South Dakota	\$ 236.53	\$ 108.30	\$ 344.83	\$ 336.99	\$ 336.99	\$ 573.52	\$ 108.30	\$ 681.82
Utah	\$ 181.76	\$ 150.70	\$ 332.46	\$ 178.87	\$ 178.87	\$ 274.81	\$ 150.70	\$ 607.27
Washington	\$ 225.41	\$ 115.50	\$ 340.91	\$ 314.05	\$ 314.05	\$ 539.46	\$ 115.50	\$ 654.96
Wyoming	\$ 240.18	\$ 181.80	\$ 421.98	\$ 516.23	\$ 516.23	\$ 756.41	\$ 181.80	\$ 938.21

**271 States**

Texas (1)	\$ 417.24	\$ 92.90	\$ 510.14	\$ 458.44	\$ 458.44	\$ 875.68	\$ 92.90	\$ 968.58
Kansas (1)	\$ 478.64	\$ 128.30	\$ 606.94	\$ 458.44	\$ 458.44	\$ 937.08	\$ 128.30	\$ 1,065.38
Oklahoma (1)	\$ 822.78	\$ 586.70	\$ 1,409.48	\$ 1,296.54	\$ 1,296.54	\$ 2,119.32	\$ 586.70	\$ 2,706.02
Missouri (1)	\$ 1,486.67	\$ 414.09	\$ 1,900.76	\$ 1,884.49	\$ 1,884.49	\$ 3,371.16	\$ 414.09	\$ 3,785.25
Arkansas (1)	\$ 596.55	\$ 175.10	\$ 771.65	\$ 458.44	\$ 458.44	\$ 1,054.99	\$ 175.10	\$ 1,230.09
New York	\$ 711.09	\$ 152.10	\$ 863.19	\$ 801.75	\$ 801.75	\$ 1,512.84	\$ 203.14	\$ 1,715.98
Massachusetts	\$ 996.54	\$ 204.40	\$ 1,200.94	\$ -	\$ 40.88	\$ 996.54	\$ 245.28	\$ 1,241.82
Pennsylvania	\$ 989.55	\$ 169.90	\$ 658.95	\$ 975.90	\$ 975.90	\$ 1,465.45	\$ 169.90	\$ 1,634.85

(1) Rates vary by zone. The rates identified are based on 10 air miles of interoffice transport in a comparable zone.